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October 21, 2003

California Energy Commission
Docket Office
Attn: Docket No. 03-CRS-01
1516 Ninth Street, MS-4
Sacramento, CA 95814-5512

Re: Southern California Edison Company's Comments of the Joint Parties Interested in Distributed Generation/Distributed Energy Resources On Proposed Departing Load Cost Responsibility Surcharge Regulations

Dear Docket Clerk:

Southern California Edison Company (SCE) respectfully submits the following comments related to what has been filed by the Joint Parties Interested in Distributed Generation/Distributed Energy Resources (Joint Parties) on the Proposed Departing Load Cost Responsibility Surcharge regulations.

The majority of the comments submitted by the Joint Parties are related to interpretation of the Departing Load (DL) Cost Responsibility Surcharge (CRS) Decision (D.03-04-030) issued by the California Public Utilities Commission (CPUC). This is not, however, the appropriate forum to raise these issues. Even the Joint Parties acknowledge that the CPUC has not yet issued a resolution addressing the utilities' advice letters. There are a couple of other points raised by the Joint Parties that warrant further commentary, related to "Proposed Section 1395.2(a)," "Eligible for Funding Requirement," and "1 Megawatt Limit."

"Proposed Section 1395.2(a)." The Joint Parties suggest that the "anticipated departing load level" be used to count toward the MW cap. This may not be an issue in cases in which the generator is less than the load served on-site; the full generator capacity, if operating, would count toward the MW Cap. However, tracking the MW cap based on anticipated departing load would be especially problematic for the CEC and the utilities in cases in which the generator is sized larger than the current load. Once an anticipated departing load number is established by a customer, the CEC and the utilities would have no way of ensuring that an increase in departing load is appropriately counted against the cap. It is more reasonable to simply count total generation capacity toward the MW Cap and to exempt the load served by that eligible generator. In that situation, fluctuations in load (related to load that increases to meet the capacity of the generator or serving other eligible loads) are irrelevant and would not have to be monitored. The utilities have existing processes in their tariffs to establish standby levels; a similar mechanism to appropriately capture the amount of generation that should count toward the MW cap could be used as an alternative. SCE therefore believes the Joint Parties proposal should be rejected.

"Eligible for Funding Requirement." SCE believes that the Program Administrators of the CPUC's Self Generation Incentive Program (SGIP) determines eligibility. The CPUC granted the Program Administrators with the authority to determine eligibility for its program that devotes $125 million annually, now through January 1, 2008. The Joint Parties use several examples to argue that a project

could be eligible for the CPUC's SGIP or financial incentives, yet not receive funding. In the event that Program funds are exhausted for a particular year, the applicant would likely defer the project until project funds are available; it seems unlikely that an applicant would forego significant financial incentives they would otherwise be eligible for. If incentive reservations limits are met, whether for project site or corporate/government parent, the project is clearly not eligible for funding. And, in the rare occasion that a project is fully funded by another program, SCE suggests that the Program Administrators determine if the project would have otherwise been eligible for funding. Ultimately, eligibility determination for the CPUC's or the CEC's Programs rests with the Program Administrators. SCE believes the Joint Parties proposal should be rejected.

"1 Megawatt Limit." Finally, the Joint Parties argue for clarification whether "up to 1 megawatt" means that only projects up to 1 MW will be exempt or "the first MW" of projects up to 1.5 MW shall be exempt. This is not an open issue. D.03-04-030 was quite clear on this point:

> "We recognize that the CPUC self-generation incentive program allows eligible systems up to 1.5 MW in size, while only offering financial incentives for the first 1 MW. We do not revise our exceptions to the CRS created in this decision to include 1.5 MW, as suggested by several parties including Clarus Energy. Instead, we continue to believe that a 1 MW size limit is appropriate for exceptions to CRS, because this is the size limit created by the Legislature in Public Utilities Code Section 2827." (D.03-04-030, mimeo, p. 47)

In light of further clarification by the CPUC, SCE recommends rejecting the Joint Parties' proposals as they relate to the CEC's Proposed Departing Load Cost Responsibility Surcharge Regulations.

Please do not hesitate to contact me at (916) 441-2369 if you have any questions about this matter.

Sincerely,

Manuel Alvarez

cc: William J. Keese, Chairman
James D. Boyd, Commissioner
John L. Geesman, Commissioner
Robert Pernell, Commissioner
Arthur H. Rosenfeld, Commissioner
Darcie Houck, Staff Counsel
Scott Tomashefsky, Adviser
R.02-01-011 Service List